

10 July 2014

## **Burberry Group plc**

### **First Quarter Trading Update and Interim Management Statement**

#### **Highlights for the three months to 30 June 2014**

- Retail revenue £370m, up 17% underlying (up 9% at reported FX)
- Comparable sales up 12%
  - In line with our expectations for the quarter, driven by planned investment
  - Double-digit growth in Asia Pacific and Americas; low single-digit growth in EMEA
  - Double-digit growth across all three main product categories
  - Digital continued to outperform in all regions
- Ongoing brand momentum driven by consistent execution of strategies
  - Record customer engagement through digital, including Shanghai event and mens runway show
  - Four mainline stores opened; three in key European airports for the travelling luxury customer
  - Strong customer response to product, especially mens tailoring, womens Prorsum and solid leather accessories
- Increasing currency headwinds

Christopher Bailey, Chief Creative and Chief Executive Officer, commented:

“This first quarter performance reflects our focus on striving to give customers the best possible experience of the Burberry brand through ongoing investment in retail, digital and service, both on and offline. The 12% increase in comparable sales demonstrates our teams’ success in unlocking the benefits of these investments, as we continue to concentrate on the things we can control in an uncertain external environment.

As we build on this strong start to the year, our priority remains to connect consumers ever closer to Burberry through authentic products and experiences that celebrate our unique heritage. With great brand momentum and a focused vision, we remain confident of delivering sustainable, profitable growth into the future.”

Underlying change is calculated at constant exchange rates. Certain financial data within this announcement have been rounded.

At £370m, retail sales in the first quarter, which is historically the smallest for retail, increased by 17% underlying and 9% at reported FX (Q1 2013: £339m). Of this 17% underlying growth, comparable sales growth was 12%, with the balance from new space.

The key drivers of retail growth remained consistent with previous periods

- Reflecting evolving consumer behaviour, traffic remained soft offline but grew online
- Conversion increased both offline and online, driven by our investment in customer service
- Digital continued to outperform in all regions, reflecting more targeted marketing and continued strong customer response to services such as orders taken on iPads in-store and collect-in-store

By product

- In mainline, there was double-digit growth in mens, womens and accessories, with balanced performance across fashion and replenishment
- Mens tailoring, womens Spring/Summer 2014 Prorsum and iconic rainwear all performed well, reflecting our focus on these categories
- In accessories, solid leather continued to increase its share of the large leather goods mix

By region

- Double-digit comparable sales growth in Asia Pacific was led by mainland China and Hong Kong
- Double-digit comparable sales growth in the Americas included significant outperformance from digital
- Low single-digit comparable sales growth in Europe, Middle East, India and Africa (EMEIA) reflected a softening in major markets

During the first quarter, Burberry opened four mainline stores (one in Edinburgh and three airport stores in London Heathrow, Madrid and Milan) and closed three.

## **Financial position**

Except for the trading activities described above, there has been no significant change to the financial position of the company.

## Outlook

*Retail:* In FY 2015, net new space is still expected to contribute low to mid single-digit percentage growth to total retail revenue.

*Wholesale:* Excluding Beauty, Burberry continues to expect wholesale revenue at constant exchange rates to be broadly unchanged in the six months to 30 September 2014 (2013: £244m). For Beauty, the fifth product division, wholesale revenue is still expected to grow by about 25% at constant exchange rates in FY 2015.

*Retail/wholesale profit:* If exchange rates\* remain at current levels, the full impact on reported retail/wholesale profit in FY 2015 will be material. As an indication, rebasing FY 2014 retail/wholesale profit for current effective exchange rates would now reduce reported profit by about £55m (H1 weighted) and adjusted operating margin from 17.5% to around 16%.

*Licensing:* For FY 2015, Burberry continues to expect broadly unchanged revenue at constant exchange rates in both Japan and global product licences. At current exchange rates\*, reported licensing revenue in FY 2015 will be reduced by about £10m given the movement in the sterling/yen rate.

\* Effective rates as at 3 July 2014, taking into account the current hedged positions

## Enquiries

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There will be a conference call for investors and analysts to discuss this update today at 9am (UK time). The conference call can be accessed live on the corporate website ([www.burberryplc.com](http://www.burberryplc.com)), with a replay available later. The AGM will be held on 11 July 2014. Burberry will release its First Half Trading Update for the six months to 30 September 2014 on 14 October 2014. It will announce its Interim Results for the six months to 30 September 2014 on 11 November 2014.

Certain statements made in this announcement are forward-looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual results to differ materially from any expected future results in forward-looking statements. Burberry Group plc undertakes no obligation to update these forward-looking statements, and will not publicly release any revisions it may make to these forward-looking statements that may result from events or circumstances arising after the date of this document. Nothing in this announcement should be construed as a profit forecast. All persons, wherever located, should consult any additional disclosures that Burberry Group plc may make in any regulatory announcements or documents which it publishes. All persons, wherever located, should take note of these disclosures. This announcement does not constitute an invitation to underwrite, subscribe for or otherwise acquire or dispose of any Burberry Group plc shares, in the UK, or in the US, or under the US Securities Act 1933 or in any other jurisdiction.

## Notes to editors

- Burberry is a global luxury brand with a distinctive British heritage, core outerwear and large leather goods base and some of the most recognised icons in the world.
- Burberry designs and sources apparel, accessories and Beauty, selling through a diversified network of retail (including digital), wholesale and licensing channels worldwide.
- Burberry has five strategic themes to underpin its growth: leverage the franchise; intensify accessories; accelerate retail-led growth; invest in under-penetrated markets; and pursue operational excellence.
- At 30 June 2014, Burberry had 216 retail stores, 224 concessions, 55 outlets and 69 franchise stores.
- Burberry, which is headquartered in London, was founded in 1856. It is listed on the London Stock Exchange (BRBY.L) and is a constituent of the FTSE 100 index. ADR symbol OTC:BURBY.
- BURBERRY, the Equestrian Knight Device and the Burberry Check are trademarks belonging to Burberry which are registered and enforced worldwide.

## Appendix

### Exchange rates

	3 July rate <sup>#</sup>	12 May rate	9 April rate	FY 2014 average rate
Euro	1.25	1.23	1.21	1.19
US Dollar	1.71	1.69	1.67	1.59
Chinese Yuan Renminbi	10.62	10.45	10.28	9.78
Hong Kong Dollar	13.25	13.06	12.93	12.38
Korean Won	1,732	1,730	1,756	1,734
Yen*	164	164	163	137

<sup>#</sup> Full year effective rate, i.e. first three months at actual FX rates, remaining nine months at 3 July spot rates

\* Taking into account current hedged positions